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February 7, 2005

Ms. Jamie McLeod
City of Sunnyvale Planning Department
456 West Olive
Sunnyvale, CA 94088-3707

Re: Gibraltar Drive
256 & 292 Gibraltar Drive, Sunnyvale California

Subject: Specific Plan - Condominium Approval for Moffett Park

Dear Jamie,

It was a pleasure meeting with you and Kelly Diekmann last Wednesday to discuss the Gibraltar Drive Project and how it relates to the Moffett Park Specific Plan. As requested, I am sending market information and notes from the Specific Plan that supports our concept for the condominium map.

I have included several documents that illustrate our reasoning and strategy for our proposed project. They include the following:

- Moffett Park Specific Plan – Condominium Conversion Support Summary
- Colliers International Letter – Market Summary and Condominium Concept
- R&D Available Space Rate Sunnyvale Moffett Park
- Rental Rates 1996 - 2004
- Proforma – Class A Office Financial Analysis
- Predevelopment Meeting Record with the City of Sunnyvale
- Highlighted Specific Plan clarifying our interpretation of the Moffett Park Specific Plan

Please contact me if you have any questions or need more information.

Sincerely,

General Development Inc.

A handwritten signature in black ink, appearing to read "Ron DuHamel", is written over a horizontal line.

Ron DuHamel, Vice President of Development

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We believe that there are many positive benefits for allowing the two sites to be converted into condominiums. There are also many physical restraints that will not allow the desired FAR.

- The two existing sites are relatively small in comparison to the majority of the sites in this district.
- It is very impractical to increase the F.A.R. on the two existing sites and still be able to provide the required parking ratios (1:300) and vehicular circulation. The buildings would need to be demolished and a new multi-story building would be required with an underground parking structure. The current parcel configuration is too small to support this.
- The proposed uses will not change from the current use.
- The buildings are in excellent condition and probably have a life span of greater than 20 years. It is unlikely they would be torn down any time soon.
- The parcels are near the edge of the MP-TOD district. A good F.A.R. transition site.
- It is likely that the buildings would remain vacant for a period of time unless a different path relative to building ownership is considered. The condominium conversion would allow the buildings to be occupied much sooner than as a leased building. There are already several interested buyers. This would quickly bring new business owners and support tax revenue into Sunnyvale.
- We are not preventing the City's future goals for this site. It would still be possible for an owner to buy-out the condominiums as well as adjacent parcels for future development.
- The City wants the Moffett Park area to have a certain density level to promote the use of the light rail system. It is our understanding that the owners of the condominiums would be able to transfer the additional unused FAR square footage to other parcels in this zoning district. We estimate at a 70% FAR that we would have approximately 66,000 square feet of FAR to sell to other properties.
- The site is in a flood zone and could cause complications for new development.

The following information is the current market conditions. It includes historical rental rate information and vacancy rates over the last ten years.

The project has been idle for two years. There has been three consecutive years of negative net absorption in Moffett Park. In order for there to be new development there would need to be consistent absorption for multiple years, the lease rates would need to almost triple, and vacancy would need to drop below 8%. While there has been some positive absorption, one must look at the whole market and draw on historical perspective to appreciate how this project fits with the Moffett Business Park. The Moffett Business Park has transformed itself over the last six years into a more defense-based business to a more diverse technology based park. With Yahoo!, Juniper Networks and Network Appliance joining Lockheed Martin Corporation, the tenant roster has improved tremendously. There is a need of businesses that service these companies and those companies will range in size from small to mid size. The niches that our proposed project targets are smaller in scale and to people/businesses that desire to own their own facilities. They do not want to be subject to the huge swings of lease pricing that our valley has experienced. These companies provide vital services to their larger counter parts and need to be in close proximity.

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In addition to all the vacancy that exists, there are many empty workspaces within buildings not on the market that will need to be filled before those companies will consider expansion. This is known as shadow space.

We feel that the Gibraltar Condominiums are a needed commodity in this area and would be a great asset to the City of Sunnyvale.

Please do not hesitate to contact me if you have any further questions or desire additional information.

Sincerely,

ARC TEC, Inc.



James R Fulton
Project Manager